



Six-Month Report Card:
Post-Issuance Proceedings
Under the AIA

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Introduction

On September 16, 2012, the U.S. Patent and Trademark Office (USPTO) implemented the provisions of the America Invents Act (AIA) to provide post-issuance patent challenge options to third parties (referred to herein as the opposition program). The opposition program includes post-grant review, *inter partes* review (IPR), and the Transitional Program for Covered Business Methods (covered business method review, or CBM) challenge proceedings, all held before the newly formed Patent Trial and Appeals Board (PTAB).

Post-issuance proceedings are intended to provide a streamlined alternative to litigation, with the PTAB potentially issuing final validity decisions within one year after a challenge is filed. Post-issuance proceedings may be used as a strategy to stay district court litigation, develop claim construction positions, or focus arguments on particular claims. Additionally, post-issuance proceedings may decrease potential costs to the patent challenger. Indeed, the PTAB recently limited discovery in a post-grant proceeding, explicitly noting that “discovery is limited as compared in district court” and clarifying that discovery is not available for material “likely to yield relevant, admissible evidence,” but only for material that is itself relevant and admissible.¹

So, after the first six months in which the opposition program has been available, who is using these post-issuance proceedings? What patented art is under challenge? Which post-issuance proceeding is most used?

This report card provides an overview of the opposition program and examines the post-issuance proceedings filed in the first six months since its institution. Four broad categories are evaluated: the volume and temporal distribution of filings, the country of origin of the petitioner, the classification of the patents being challenged, and the decision of the PTAB to initiate the post-issuance proceeding. Lastly, several trends are identified for placement on a “Watch List” for future review in subsequent updates of this report card.

Six-Month Report Card: Key Highlights

- Approximately one post-issuance proceeding has been filed each calendar day in the first six months that the opposition program has been in effect.
- *Inter partes* review filings constitute 92 percent of the total filed post-issuance proceedings. Covered business method review filings constitute eight percent of the total filed post-issuance proceedings.
- Sixty-nine percent of all post-issuance proceedings fall into two Cooperative Patent Classifications (CPC): Physics and Electricity.
- A decision by the PTAB to institute a trial occurs approximately four to five months from the time of petition filing.
- U.S.-headquartered corporations account for roughly 67 percent of all post-issuance proceeding filings.

Overview: The Opposition Program

Post-Grant Review. A person or entity, other than the patent owner, may file a petition for post-grant review with the PTAB challenging the validity of a patent within nine months of the patent’s date of issue or reissue on any statutory grounds for invalidity.² The PTAB will not grant the petition unless the petitioner shows that it is “more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”³ Post-grant review proceedings are only available for issued patents having a

¹ *Garmin International, Inc. v. Cuozzo Speed Technologies, LLC*, Case IPR2012-00001, Paper 15 (PTAB Jan. 9, 2013) (“‘useful’ means favorable in substantive value to a contention of the party”).

² 35 U.S.C. §§ 321(a) & (b).

³ 35 U.S.C. § 324(a).

priority date on or after March 16, 2013.⁴ Thus, it is not surprising that no post-grant review proceedings were filed in the first six months of the opposition program.

***Inter partes* Review.** A person or entity, other than the patent owner, may file a petition for *inter partes* review with the PTAB challenging the validity of the patent nine months after the date of issue or reissue on limited invalidity grounds.⁵ An *inter partes* review may only challenge validity based on 35 U.S.C. § 102 (novelty) and § 103 (obviousness) and only on the basis of prior art patents or printed publications.⁶ The PTAB will not grant the petition unless it is demonstrated that “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”⁷ To date, *inter partes* review is the most prevalent post-issuance proceeding.

Transitional Program for Covered Business Methods. A person or entity may file a petition for covered business method review with the PTAB challenging the validity of a patent if the petitioner has been sued for infringement or threatened with an infringement suit and if the patent “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service....”⁸ The legislative history of the AIA suggests that the phrase “financial product or service” should be interpreted broadly to encompass patents claiming “activities that are financial in nature, incidental to a financial activity or complementary to a financial activity,”⁹ potentially permitting a large number of patents to be challenged by this means. Any grounds for invalidity may be raised in a petition for covered business method review and the PTAB will grant the petition if it is shown that it is “more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”¹⁰

⁴ H.R. Rep. No. 1249, 112th Cong., at § 6 (1st Sess. 2011) (hereinafter the AIA).

⁵ 35 U.S.C. §§ 311(a) & (b).

⁶ 35 U.S.C. § 311(b).

⁷ 35 U.S.C. § 314(a).

⁸ AIA at § 18.

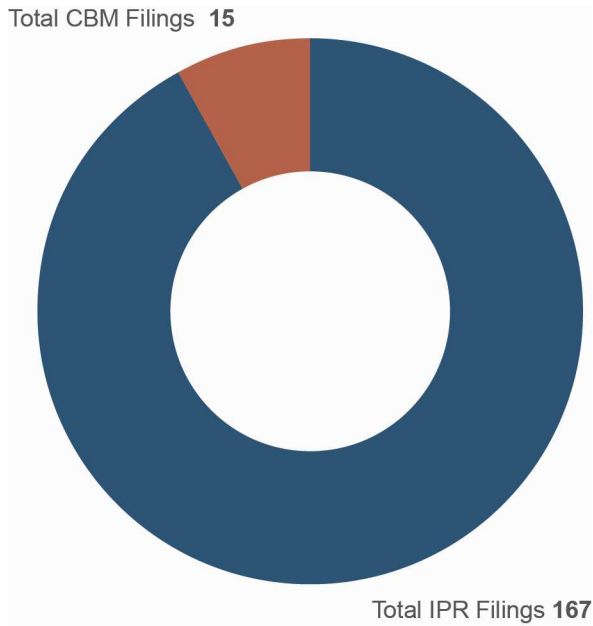
⁹ 157 Cong. Rec. S5432 (Sept. 8, 2011).

¹⁰ 35 U.S.C. § 324(a); § 18(a) of the AIA (“The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 332 of title 35, United States Code....” An example of a patent incidental to a financial activity that has been granted review as a covered business method (CBM2012-00005) is U.S. Patent No. 6,675,151 directed to “[a] system and method for automating the performance of substitute fulfillment to assign a replacement working to substitute for a worker during a temporary absence, performing placement of floating workers, tracking absences and entitlements of workers, notifying interested parties regarding unexpected events and daily announcements, and bidding for temporary workers” which may be used in the “retail banks [or] offices of banks.” See CBM.

Volume and Temporal Distribution of Filings

Between September 16, 2012, the date the opposition program became available, and March 16, 2013, 182 post-issuance proceedings have been filed. Over 90 percent of these filings are *inter partes* review. Not surprisingly, *inter partes* review outnumbers covered business method review substantially, as covered business method review applies to limited subject matter that represents only a small fraction of issued patents.

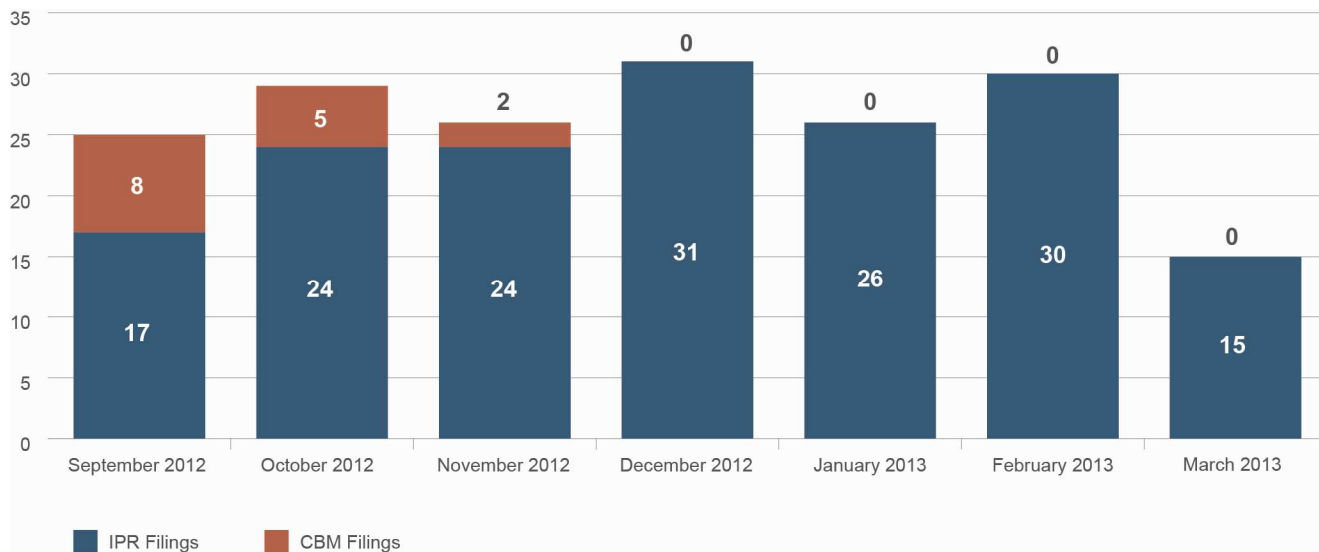
TOTAL FILINGS BETWEEN SEPTEMBER 16, 2012, AND MARCH 16, 2013



With respect to the temporal distribution of post-issuance proceeding filings, the monthly filing rate and the average daily filings per month were evaluated. Of note, since the institution of the opposition program, covered business method review filings have steadily decreased, so much so that not a single one was filed between November 20, 2012, and March 16, 2013.

The rate of daily post-issuance proceedings has remained fairly consistent, at about one filing per day. However, the implementation month of the opposition program, September 2012, saw heightened filings of 1.67 per day.

NUMBER OF MONTHLY OPPOSITION PROGRAM FILINGS



AVERAGE DAILY OPPOSITION PROGRAM FILINGS

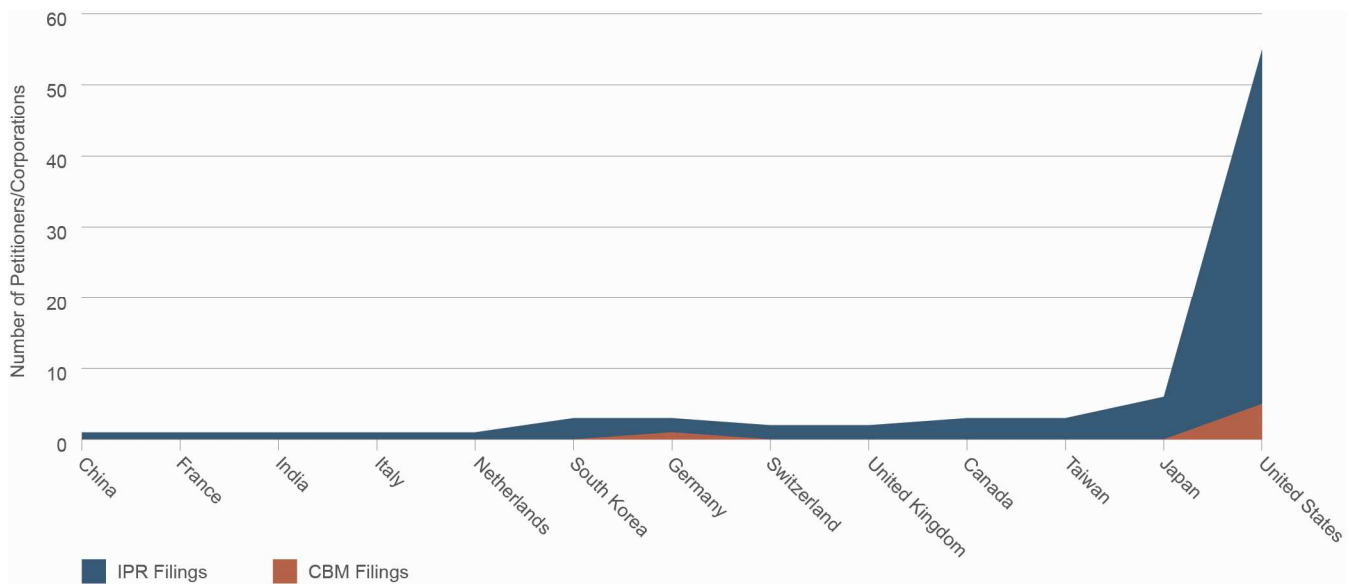


COUNTRY OF ORIGIN OF THE PETITIONER

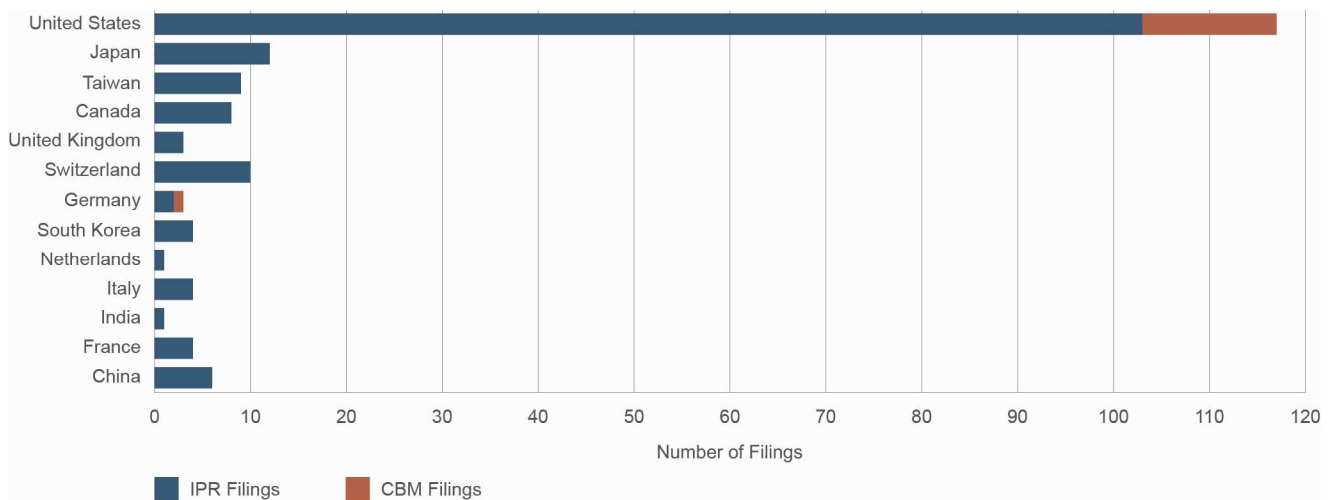
Based on the location of the corporate headquarters of the parent company of the first named petitioner, corporations from thirteen countries, representing three continents—North America, Asia and Europe—have filed petitions for post-issuance proceedings between September 16, 2012, and March 16, 2013. Eighty-two corporations account for the 182 post-issuance proceedings that have been initiated during this same period.

Corporations from the United States lead the pack, representing 66 percent of the corporations and 62 percent of the total filings for *inter partes* review, and 83 percent of the corporations and 93 percent of the total filings for covered business method review. Distant runners-up include Japanese, Taiwanese, Swiss and Canadian corporations.

COUNTRY OF ORIGIN OF FIRST NAMED PETITIONER/COUNTRY



FILINGS PER COUNTRY OF ORIGIN OF FIRST NAMED PETITIONER



Thirty-seven of the 82 represented corporations, representing 45 percent in total, have filed at least two post-issuance proceedings. Corporations having over five filings each include ZTE Corporation, EMC Corporation, Veeam Software Corporation, ChiMei Innolux Corporation, Corning Incorporated, Liberty Mutual Insurance Company and Oracle Corporation.

FIRST NAMED CORPORATION	COUNTRY OF PARENT HEADQUARTERS	# OF FILINGS	FIRST NAMED CORPORATION	COUNTRY OF PARENT HEADQUARTERS	# OF FILINGS
Apotex Inc.	Canada	2	Sony Computer Entertainment America, LLC	Japan	3
Athena Automation Ltd.	Canada	2	ABB Inc.	Switzerland	3
Denso Corp.	Japan	2	Illumina, Inc.	United States	3
Nissan North America, Inc.	Japan	2	Micron Technology, Inc.	United States	3
Hyundai Motor America, Inc.	South Korea	2	Universal Remote Control, Inc.	United States	3
Smith & Nephew, Inc.	United Kingdom	2	BlackBerry	Canada	4
Apple, Inc.	United States	2	Nexans, Inc.	France	4
International Business Machines Corp.	United States	2	Gnosis S.p.A.	Italy	4
International Flavors & Fragrances Inc.	United States	2	Intellectual Ventures Management, LLC	United States	4
Komatsu America Corp.	United States	2	Zynga, Inc.	United States	4
LaRose Industries, Inc.	United States	2	ZTE Corp.	China	6
Microsoft Corp.	United States	2	EMC Corp.	United States	6
Monsanto Co.	United States	2	Atrium Medical Corp.	United States	6
Motorola Mobility LLC	United States	2	Veeam Software Corp.	Switzerland	7
Synopsys, Inc.	United States	2	ChiMei Innolux Corp.	Taiwan	7
Xilinx, Inc.	United States	2	Corning Inc.	United States	10
Vibrant Media, Inc.	United States	2	Liberty Mutual Insurance Co.	United States	10
ScentAir Technologies	United States	2	Oracle Corp.	United States	11
Kyocera Corporation	Japan	3			

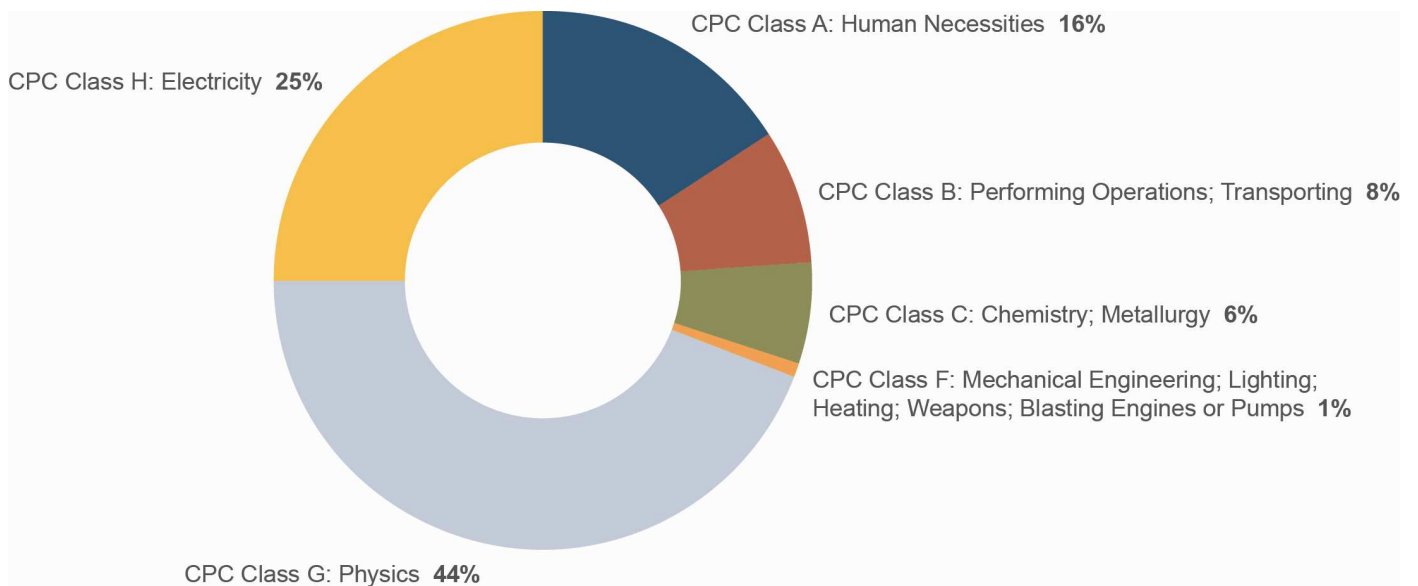
Classification of the Patents Being Challenged

The USPTO developed the U.S. Patent Classification (USPC) system to distinguish patents based on their subject matter. There were over 400 classes in the USPC system. As of January 1, 2013, the USPC system was officially replaced with the Cooperative Patent Classification (CPC) system jointly developed by the USPTO and the European Patent Office. The CPC system contains only nine classes and does not encompass design patents.

Of the 182 post-issuance proceedings filings, 60 USPC classes, including one design patent classification, and six CPC classes are represented. Not surprisingly, the most-represented USPC class is 705, the classification most likely to cover, among other things, an activity that is financial in nature or ancillary thereto for covered business method review.¹¹ Indeed, of the 15 covered business method review filings, all pertain to Class 705 patents.

More telling, 125 of the 181 utility patents fall into only two CPC categories: Physics (Class G) and Electricity (Class H). Sixty-five *inter partes* review filings and all 15 of the covered business review filings pertain to Class G¹² patents. Forty-six *inter partes* review filings pertain to Class H patents.

CPC CLASSES UNDER CHALLENGE



¹¹ 1157 Cong. Rec. S5432 (Sept. 8, 2011) (“Originally, class 705 was used as a template for the definition of business method patents in section 18. However, after the bill passed the Senate, it became clear that some offending business method patents are issued in other sections.”) (Statement of Sen. Schumer, D-N.Y.)

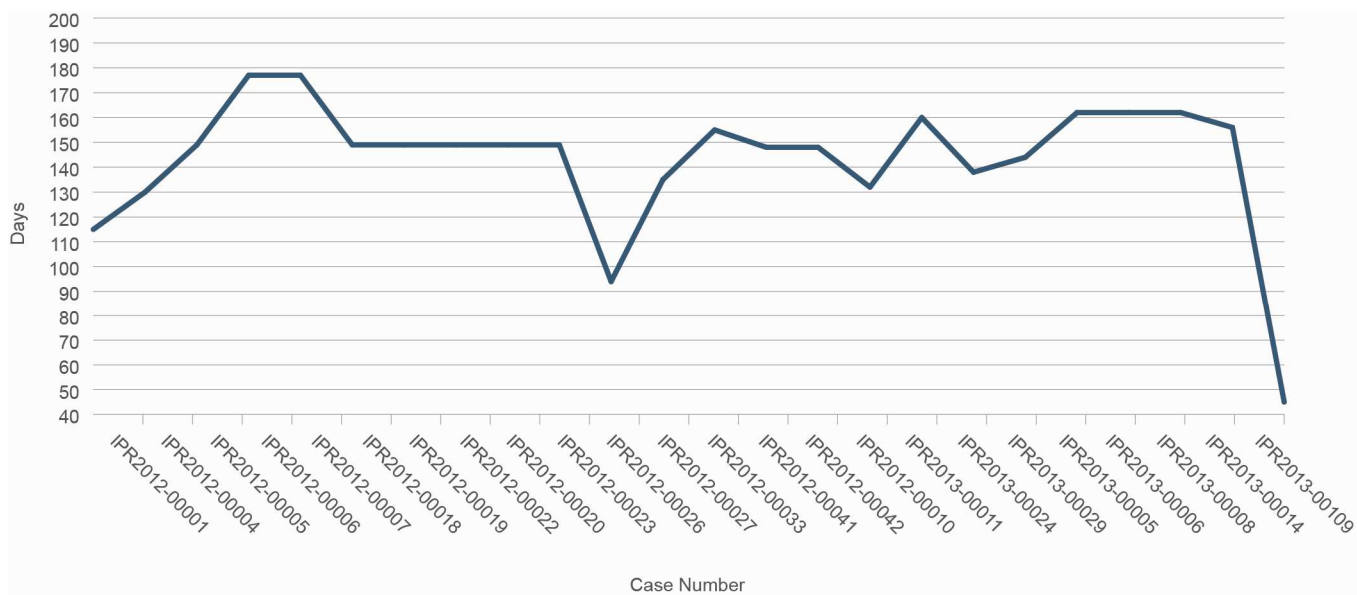
¹² While it may seem surprising that patents challenged in covered business method review filings fall into a class generally labeled “Physics,” the class’ definition provides clarity. CPC class G encompasses subject matter dealing with “systems or combinations which have features or parts in common rather than ‘things’ which are readily distinguishable as a whole...[such as] enabling the result of a measurement to be known (G01) [or] for signaling the information to a distant point or for giving information which has been signalled [*sic*] from a distant point (G08).” Cooperative Patent Classification, CPC Scheme and CPC Definitions, *available at* www.cooperativepatentclassification.org/cpc/scheme/G/scheme-G.pdf.

Decision of the PTAB to Initiate the Post-Issuance Proceeding

In the first six months that the opposition program was in place, the PTAB made 24 decisions on the institution of *inter partes* review petitions, accounting for 13 percent of all pending filings.¹³ All but two of those petitions were granted at least in part, representing a grant rate of approximately 92 percent. The average elapsed days between the filing of an *inter partes* review petition and the PTAB’s decision on its institution was 143 days.

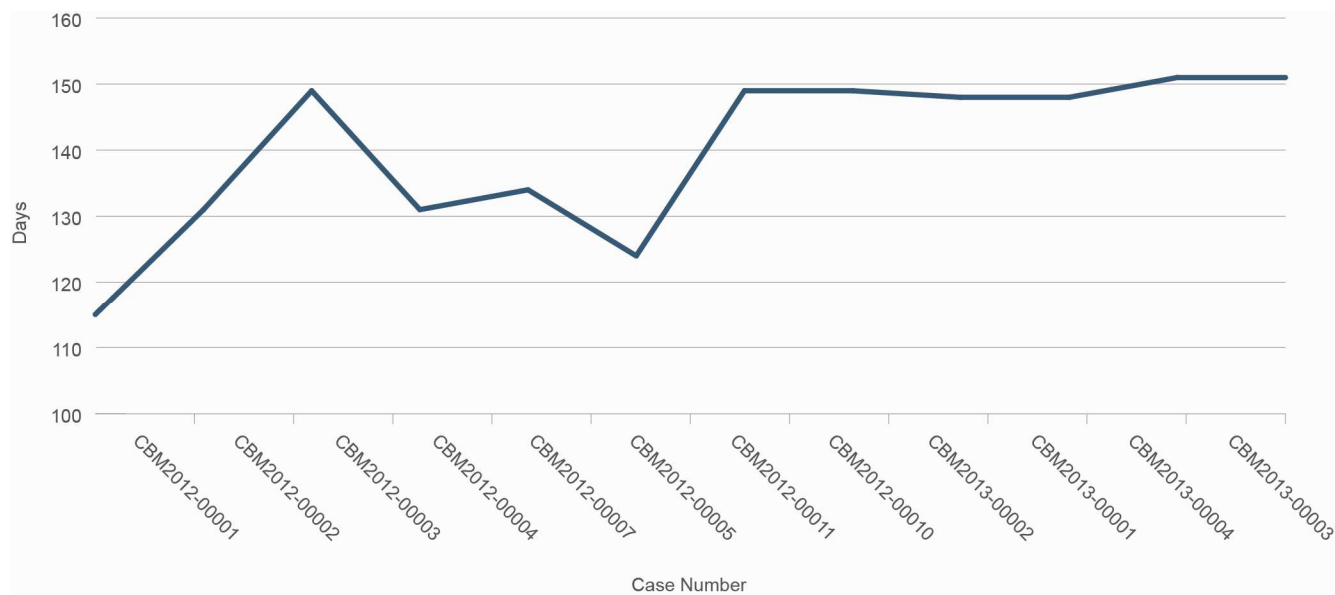
During the same six months, the PTAB has made 12 decisions on the institution of covered business method review petitions, accounting for 80 percent of all such filings. Three denials were issued, representing a grant rate of 75 percent. The average elapsed days between the filing of a covered business method review petition and the PTAB’s decision on its institution was 140 days.

DAYS ELAPSED BETWEEN PETITION DATE AND THE PTAB’S DECISION TO INITIATE *INTER PARTES* REVIEW



¹³ Two *inter partes* review proceedings were settled and one was dismissed for failure to meet filing requirements prior to the PTAB making an institution decision.

DAYS ELAPSED BETWEEN PETITION DATE AND THE PTAB'S DECISION TO INITIATE TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHODS REVIEW



Watch List

After only six months, several trends can be seen from this evaluation of post-issuance proceeding filings. These trends may become more or less interesting as the AIA continues to offer post-issuance proceedings.

- No covered business method review petitions have been filed in the last three months of the period under review. Predictions that the covered business review proceeding would prove a powerful weapon for business and financial institutions to assert invalidity without being straitjacketed by prior art limitations may be theoretically correct, but potential petitioners seem to be shying away from filing them.¹⁴
- Sixty-nine percent of all patents challenged using a post-issuance proceedings fall into CPC Class G (Physics) and CPC Class H (Electricity). While the covered business method review filings between September 16, 2012, and March 16, 2013, all fall into CPC Class G, this alone does not account for the dominance of the two challenged patent classes.
- In this global economy, corporations with headquarters based in the United States dominate petitions for post-issuance proceedings.

In this new era of post-issuance proceedings, McDermott Will & Emery offers clients deep familiarity with the USPTO, extensive patent prosecution and litigation prowess, diverse and in-depth technical knowledge, a business-first approach, broad geographic reach and the full resources of our global firm.

¹⁴ See, e.g., Cheryl Milone, "A Powerful New Weapon Against Patent Trolls," *Forbes* Leadership Forum, November 15, 2012.

For more information regarding post-issuance patent challenge options, please contact your regular McDermott Will & Emery lawyer or one of the authors:

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